

Message Text

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ACTION EUR-12

INFO OCT-01 AF-10 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00

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XMB-02 OPIC-03 DODE-00 PM-04 H-01 L-03 NSC-05

PA-01 PRS-01 SS-15 /111 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 0000

INFO ALL EC CAPITALS

USMISSION OECD PARIS

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY RABAT

AMEMBASSY TUNIS

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DEPT. PASS AID/AF, AID/NEA, AID/AA

E. O. 11652: N/A

TAGS: EAID, EEC, PFOR

SUBJECT: EC COMMISSION APPROACHES TO VARIOUS ARAB DEVELOPMENT FUNDS

REF: EC BRUSSELS 3429 (NOTAL), (B) EC BRUSSELS A-067 (NOTAL)

1. SUMMARY. THE EC COMMISSION IS MAKING A CONCERTED EFFORT

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TO IMPROVE COORDINATION WITH ARAB DEVELOPMENT FUNDS. COMMISSION OFFICIALS REPORT SOME ARAB RECEPTIVITY TO PARALLEL AND CO-FINANCING OF PROJECTS, PARTICULARLY IN THE MASHEK AND MAGHREB COUNTRIES. COMMISSION OFFICIALS WANT TO EXPLORE POSSIBILITY OF A TRILATERAL APPROACH TOWARD THE ARAB FUNDS INVOLVING THE US, EC AND THE IBRD. END SUMMARY.

2. EC COMMISSION STAFF OFFICIALS WHO ARE COORDINATING EC RELATIONS WITH ARAB DEVELOPMENT FUNDS TELLS US THAT EC COMMISSIONER CHEYSSON RECENTLY VISITED KUWAIT TO MEET WITH DEVELOPMENT FUND OFFICIALS. EC OFFICIALS ARE ALSO IN CONTACT WITH ARAB DEVELOPMENT FUNDS IN KHARTOUM AND SAUDI ARABIA. THESE OFFICIALS ESTIMATE THAT IN 1976 ARAB FUNDS OBLIGATED ABOUT \$250 MILLION FOR JOINTLY FINANCED DEVELOPMENT PROJECTS IN AFRICAN COUNTRIES WHICH ARE IN THE LOME CONVENTION. THE TOAL VALUE OF THESE PROJECTS AMOUNTED TO ABOUT \$1.3 BILLION, OF WHICH THE EC CONTRIBUTED \$150 MILLION, ANF THE IBRD AND BILATERAL DONORS PROVIDED THE BALANCE. MOST OF THESE FUNDS WENT TO MAURITANIA, SUDAN, SOMALIA, GHANA, THE CAMEROONS, SENEGAL AND THE IVORY COAST.

3. THESE OFFICIALS SAY THAT MOST ARAB FUNDS WANT TO COOPERATE WITH THE EC, BECAUSE THEY NEITHER HAVE THE STAFF NOR OVERALL FINANCIAL RESOURCES TO HANDLE THE LARGE NUMBER OF PROJECTS BEING CONSIDERED FOR AFRICA. THE EC IS PARTICULARLY SEEKING ARAB INTEREST IN JOINT FINANCING OF ITS REGIONAL PROJECTS OF THE LOME CONVENTION (SEE REF. B) AND PROJECTS IN THE MASHREK AND MAGHREB COUNTRIES. COMMISSION OFFICIALS HOPE TO USE THEIR LIMITED FINANCIAL AID FOR THE SOUTHERN MEDITERRANEAN COUNTRIES AS A CATALYST IN ATTRACTING ARAB FUNDS. FOR EXAMPLE, THE EC WOULD FINANCE THE FEASIBILITY STUDIES AND HELP SUPERVISE THE PROJECT, AND ARAB MONIES WOULD PAY FOR THE BULK OF THE COST. THE EC ALSO WANTS TO STIMULATE EUROPEAN PRIVATE INVESTORS TO ENTER INTO LIMITED OFFICIAL USE

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JOINT VENTURES IN THESE COUNTRIES. THE FOLLOWING ARE THE HIGHLIGHTS OF EC OFFICIALS' CONVERSATIONS WITH VARIOUS ARAB BANKERS.

4. COMMISSION STAFF OFFICIALS TELLS US THAT IN KUWAIT CHEYSSON MET WITH OFFICIALS OF THE ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT (AFESD) AND THE KUWAIT FUND FOR ECONOMIC DEVELOPMENT (KFED). AFES OFFICIALS REPORTEDLY EXPRESSED A WILLINGNESS TO JOIN IN FINANCING PROJECTS IN ARAB COUNTRIES, PARTICULARLY THE MAGHREB AND MASHREK COUNTRIES, THE SUDAN, SOMALIA AND MAURITANIA. KFED OFFICIALS, HOWEVER, WERE CAUTIOUS, SUGGESTING THAT FOR THE TIME BEING THE EC PRIMARILY EXCHANGE INFORMATION WITH THEM ON PROJECTS AND PLANS. KFED OFFICIALS WERE NOT INTERESTED IN HELPING TO FINANCE THE ACP REGIONAL PROJECTS. COMMISSION OFFICIALS PLAN TO PROCEED WITH THE KFED ON A STEP-BY-STEP BASIS, HOPING PROGRSSSIVELY TO DEVELOP CLOSER RELATIONS WITH THEM. KFED OFFICIALS REPORTEDLY INDICATED INTEREST IN COORDINATING PROJECTS IN LATIN

AMERICA WHERE THEY PLAN TO EXPAND THEIR LENDING.

5. A SEPARATE, LOWER LEVEL MISSION MET WITH THE ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT. FUND OFFICIALS RESPONDED WARMLY TO EC EFFORTS TO IMPROVE COORDINATION. THEY REPORTEDLY PREFER TO WORK WITH THE EC THAN WITH INDIVIDUAL MEMBER STATES.

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6. THE COMMISSION IS ALSO SEEKING TO WORK CLOSELY WITH THE ARAB BANK FOR ECONOMIC DEVELOPMENT FOR AFRICA (ABEDA) IN KHARTOUM. ABEDA OFFICIALS WANT TO ASSUME A LEADERSHIP ROLE IN COORDINATING ARAB FUNDS FOR AFRICAN DEVELOPMENT AND TO ACT AS AN UMBRELLA FOR ARAB LOANS TO THE SUB-SAHARA.

7. COMMISSION OFFICIALS, HOWEVER, WHO ATTENDED A RECENT

COORDINATING MEETING OF ARAB FUNDS IN KHARTOUM, HAD THE IMPRESSION THAT OTHER ARAB FUNDS DID NOT AGREE TO LIMITED OFFICIAL USE

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HAVING ABEDA COORDINATE LOANS TO AFRICA. INSTEAD, EACH FUND WANTED TO FINANCE ITS OWN FEASIBILITY STUDIES AND OTHER PROJECT PREPARATIONS AS WELL AS TO PARTICIPATE IN LOANS DIRECTLY. THE VARIOUS ARAB FUNDS WANT TO MAINTAIN THE NATIONAL IDENTITY OF THEIR OWN FUND. THE EC HAS ASKED ABEDA TO REVIEW ITS PROPOSED REGIONAL DEVELOPMENT PROJECTS FOR THE ACPS. ABEDA HAS ALREADY AGREED TO HELP FINANCE SEVERAL OF THESE PROJECTS AND THE COMMISSION HOPES TO OBTAIN THE BANK'S COOPERATION IN SEVERAL OTHER PROJECTS. THE EC PLANS TO USE ITS DELEGATE IN KHARTOUM FOR DAY-TO-DAY COORDINATION AND PERIODICALLY TO SEND MISSIONS TO KHARTOUM TO COORDINATE ACTIVITIES.

8. COMMISSION OFFICIALS HAVE NOT RECENTLY VISITED SAUDI ARABIA TO DISCUSS FINANCIAL COOPERATION IN AFRICA AND IN THE SOUTHERN MEDITERRANEAN. THEY ARE PARTICULARLY INTERESTED IN LEARNING HOW THE SAUDIS PLAN TO SPEND THE ADDITIONAL \$1 BILLION FOR AFRICA WHICH THEY RECENTLY COMMITTED IN CAIRO. THESE FUNDS WILL LIKELY BE CHANNELLED THROUGH THE SAUDI ARABIAN DEVELOPMENT FUND. EC OFFICIALS PLAN TO MAKE CONTACT WITH THE FUND SHORTLY. THE EC HAS NO CURRENT PLANS TO SEEK COORDINATION WITH THE ISLAMIC DEVELOPMENT FUND IN JIDDA BECAUSE OF ITS REPUTATION FOR BEING CLOSED-MOUTH AND ALOOF. (COMMENT: EC COMMISSION DEPUTY DIRECTOR GENERAL FOR DEVELOPMENT, FOLEY, RAISED WITH US THE POSSIBILITY OF THE US/EC APPROACHING THE SAUDIS JOINTLY TO EXPLORE WAYS TO COORDINATE OUR DEVELOPMENT LENDING ACTIVITIES. SEE REF. A.)

9. IN CONCLUSION, COMMISSION OFFICIALS OUTLINE SEVERAL MAIN AREAS FOR EC COORDINATION WITH ARAB DEVELOPMENT FUNDS: 1) EXCHANGING INFORMATION TO DEVELOP COMPATIBLE FINANCIAL PLANS; 2) COORDINATING LOAN DISBURSEMENTS; 3) DISCUSSING SPECIFIC PROJECTS, ESPECIALLY REGIONAL PROJECTS, WHICH MIGHT BE JOINTLY FINANCED; AND 4) WORKING LIMITED OFFICIAL USE

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TOGETHER TO PREPARE SOUND PROJECTS. WHILE WANTING TO WORK CLOSELY WITH THE ARABS, COMMISSION OFFICIALS ARE AWARE OF ARAB DESIRES TO OPERATE INDEPENDENTLY AND MAINTAIN THE IDENTITY OF INDIVIDUAL CONTRIBUTORS. EC

COMMISSION OFFICIALS CONSEQUENTLY PLAN TO PROCEED CAUTIOUSLY IN ORDER TO DEVELOP MUTUAL CONFIDENCE AND A SENSE OF PARTNERSHIP IN FINANCING PROJECTS IN AFRICA AND THE SOUTHERN MEDITERRANEAN.

10. COMMISSION STAFF OFFICIALS SAY THEY WANT TO DEVELOP A TRILATERAL APPROACH TOWARD THE ARAB FUNDS INVOLVING THE US, IBRD AND THE EC. THEY POINT OUT THAT IT WOULD BE COUNTER-PRODUCTIVE TO COMPETE FOR ARAB FINANCING OF DEVELOPMENT PROJECTS. THEY ALSO SEE THE CLOSE US RELATIONSHIP WITH SAUDI ARABIA AS HELPING TO ESTABLISH A COOPERATIVE FRAMEWORK FOR COORDINATION. SO FAR THE SAUDIS HAVE BEEN RETICENT TOWARD EC EFFORTS TO START A DIALOGUE ON COORDINATION OF DEVELOPMENT EFFORTS.HINTON

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